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ABSTRACT

The Ledger compiles and disseminates information about economic education from various sources. The newsletter is published during the school year as a public service by the Federal Reserve Bank of Boston. Typical issues contain a lead article, announcement of upcoming workshops, innovative educational programs, and listings of material. A lead article in this issue comments on the subject of inflation, defining the Consumer Price Index, explaining its function through several examples, and suggesting practical ways of coping with inflation. Upcoming summer and fall workshops and conferences related to economic education in the New England area are reported. A column, "The Innovative Classroom," reports the activities of two teachers who produced 15 3-minute films of a local highway to teach their fourth grade class about local economy. Free and inexpensive materials are listed under the topics of consumer information and economics. Copies of the newsletter and a catalogue of other educational publications, films, and published research information may be obtained free of charge by writing Public Information Center, Federal Reserve Bank of Boston, 30 Pearl Street, Boston, Massachusetts 02106. (KSM)

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the LEDGER

Economic Education Newsletter

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Inflation - What's In A Number?

Reports that "Prices are up by 12 percent" or that "Inflation is skyrocketing" are certainly frightening to most Americans – inflation is a serious problem. But many people don't clearly understand the nature of this economic "skyrocket" or its effects on individual lives.

The measure most frequently used to indicate the behavior of the prices consumers pay is the Consumer Price Index, compiled by the Bureau of Labor Statistics. The CPI is designed to reflect the change in prices of a "marketbasket" of goods and services. This marketbasket is composed of some 400 items typically purchased by wage earners and clerical workers in 56 urban areas. The national Index can naturally reflect a price level different from the price levels in the individual cities which are surveyed.

The Consumer Price Index was developed originally to give labor leaders a tool in wage negotiations. Its blanket applicability to all members of American society is questionable.

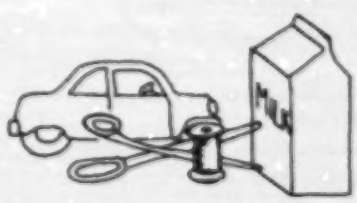
Beginning in April, 1977, the Bureau plans to issue two indexes – the CPI and a new, broader index which will cover prices typically paid by all urban households, including professional, self-employed, unemployed and retired workers, in addition to the wage-earners and clerical workers covered in the CPI.

The Bureau is also revising the CPI to reflect changes, like new products and quality differences, in what consumers are purchasing. This revision of the market-basket of goods and services will itself influence the level of the CPI.

However, these changes in indexing still will not reflect what happens to a family's cost of living when the family changes its purchases week to week to avoid items whose prices have risen rapidly.

The marketbasket seeks to reflect an average range of purchases – but if your purchases differ from the Bureau's "average," the effect of inflation on you will obviously differ. If you haven't drunk milk since you were a teenager, the rise in the price of milk may not affect your budget at all. If, on the other hand, you buy quarts and quarts of milk for your family, a rise in milk prices may throw your budget even more out of line than the CPI suggests.

Based on the statement – "the cost of living has risen 12 percent in the last month computed on an annual basis" – it's impossible to tell how much inflation is really costing you.



If a family, alarmed at the announced rate of inflation, modifies its spending habits, some of the cost of inflation may be avoided. One family generally buys bacon once a week – but when it costs over a dollar a pound, the husband or wife who is shopping may decide to do without the bacon. If the family doesn't purchase bacon until it costs less than a dollar again – has the family suffered monetarily from the price rise of bacon?

If, in the same family, the wife is outraged at the cost of children's clothing and sews a wardrobe for her preschooler to wear to nursery school, she manages to avoid the high price of children's clothes. How much has the family suffered from inflation in the price of children's clothing?

A family may also question a long-planned purchase of a large item like a new car because of the rise in car prices. The family may decide to purchase a more reasonably priced used car, and although the family may not purchase as good a car as they wanted, they may at least pay what they had originally planned for their purchase.

All these changes in plans and actions reflect not only a few dollars re allocated but real, hard decisions about how families and individuals are going to spend their time and money. The fact is that inflation, like most other facts of economic life, can sub-

Continued on page 4

New England Update

MASSACHUSETTS

A summer economic education workshop will be held June 26–July 5 at the **Center for Economic Education** at **Tufts University**. Cost will be $40. For further information contact: George Watson, Lincoln Filene Center, Tufts University, Medford 02155.

Two section meetings at the **Fifth Annual Regional Conference of Social Studies Teachers**, held in Boston, April 3-6, dealt with economics in the classroom. Over 60 teachers attended the workshop, "Should there be economic growth?" given by Frank Keetz of Bethlehem High School, Delmar, NY. Another 60 teachers attended Paul Tedesco's description of the use of the case study method and local historical cases for developing decision-making skills. Tedesco, who teaches at Northeastern University, is coordinator of the Business, History and Economic Life Program (BHelp). The goal of BHelp is to strengthen the presentation of economic life within the social studies curriculum.

NEW HAMPSHIRE

Social studies teachers from Kearsarge Regional High School, Newport High School and Sunapee High School will be involved in a brief training program and a feasibility study for implementing career and economic education into their curriculum. With financial assistance from the **New Hampshire Council on Economic Education**, the teachers will field test economic units in their classrooms this fall and then evaluate the program.

VERMONT

The need for economic education was raised during discussions at the Fifth Annual Marketing Day, "Marketing Is Innovating," sponsored by the **Vermont Bankers Association, Inc.**, May 1 in Fairlee, VT. Jean A. Hubner of the Vermont National Bank described a pilot program of the VBA Education Committee in Waterbury, VT; teachers and bankers gathered at Waterbury for a half-day seminar to discuss money and banking education. The gas shortage forced the cancellation of further Waterbury sessions but the Education Committee is attempting to schedule more meetings at Waterbury and throughout the state.

Readers are invited to use The Ledger as a forum to share news about their experiences in economic education. Write: Mary Jane Coyle, Editor, The Ledger, Public Services, Federal Reserve Bank of Boston, 30 Pearl Street, Boston 02106 or call: (617) 426-7100 X474.

Datelines - Economic Education

FALL ECONOMIC EDUCATION WORKSHOPS

(Where workshop information is not listed and for further information, contact a nearby center or council.)

Connecticut Joint Council on Economic Education, Edward L. Hamblin, Box U–32, University of Connecticut, Storrs 06268, (203) 486-3323.

Greater Hartford Council on Economic Education, Paul W. Coons, University of Connecticut – Hartford, 39 Woodland St., Rm. 211, Hartford 06105, (203) 522-1736.

Center for Interdisciplinary Creativity (formerly Center for Economic Education), Southern Connecticut State College, Jere W. Clark, 501 Crescent St., New Haven 06515, (203) 397-2101, workshop "The American Economy," registration – August 22-23.

Maine Council on Economic Education, Arthur M. Johnson, 22 Coburn Hall, University of Maine, Orono 04473, (207) 581-7067.

Economic Education Council of Massachusetts, Edward N. McMillan, Lincoln Filene Center, Tufts University, Medford 02155, (617) 628-5000, courses as listed for Massachusetts Centers for Economic Education.

Center for Economic Education, American International College, Robert Hemond, Gordon Morrill, Springfield, MA 01109, (413) 737-5331, three in-service economic education workshops.

Center for Economic Education, Boston University, Kenneth Sheldon, School of Education, 765 Commonwealth Ave., Boston 02215, (617) 353-3253, four in-service economic education workshops in Malden, Belmont and Somerville.

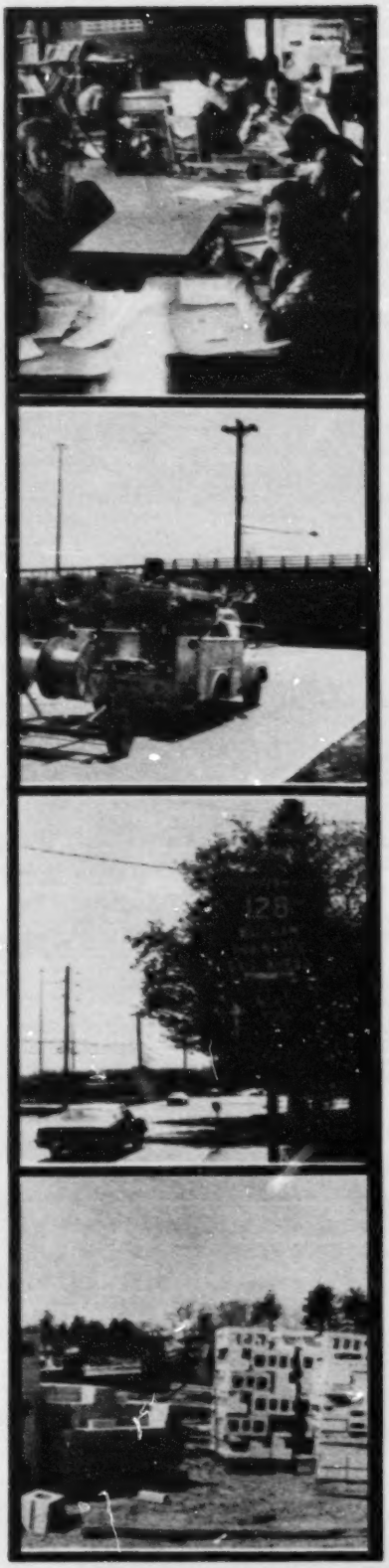
Center for Economic Education, Salem State College, Henry A. Lucas, Salem 01970 (617) 745-0556, one in-service consumer education course.

Center for Economic Education, Tufts University, George Watson, Lincoln Filene Center, Medford 02155, (617) 628-5000, two in-service economic education courses.

Center for Economic Education, Worcester State College, Paul O'Neil, Worcester 01602, (617) 756-5121, one in-service economic education course.

New Hampshire Council on Economic Education, Clifford Thatcher, 111 Troy Rd., Manchester 03101, (603) 622-8291.

Rhode Island Council for Economic Education, Rhode Island College, John M. Sapinsley, Providence 02908, (401) 831-6600, "Economic Issues in Consumer Education," pre-registration deadline – June 20.



Photographs (top to bottom): Fourth graders at Memorial School in Burlington (MA) participated in a film-making project of Route 128. This truck is one of many which pass the sign near Memorial School, "South 128." Students also viewed Burlington Mall and construction just off Route 128.

The Innovative Classroom

TEACHERS FILM ROUTE 128 FOR ECONOMIC STUDIES

Two Burlington (MA) elementary school teachers have been using nearby Route 128 as a rich and varied teaching tool for economics. Connie Ryan and Diane Bond, who team-teach fourth grade students at Memorial School have filmed 15 three-minute reels of Route 128 and Boston to show their students.

In one reel, 20 fourth graders walk several blocks from Memorial School to a Route 128 on-off ramp to view the many different kinds of trucks which use the highway to deliver their goods and services quickly and efficiently.

In another reel, Ms. Ryan and Ms. Bond drove along Route 128 filming the various industries in their area – Squibb (pharmaceutical products), Raytheon (electronics etc.) Houghton Mifflin (publishing) and Polaroid (photographic equipment) are just a few shown. They also focused on a local shopping center, Burlington Mall, with which the children are familiar, and the motels, construction, radio towers and industry which surround it.

The eight millimeter films were made to accompany a unit on Massachusetts which is studied in the fourth grade. Originally the teachers wanted to rent buses so the children could ride on Route 128 and discuss what they saw. However, funds were not available for buses, and they decided to substitute the film-making project.

"Now the film is so personal – the kids see themselves," Ms. Ryan said. But they also identify with the places which are shown in the movies. Some of the children live in the apartments which are shown and many of the children's parents work for companies that are shown in the movie, she explained.

Films were also made of Boston's health, educational and cultural facilities and Massport's busy waterfront to add another dimension to the students' understanding of the economics of their area.

Multi-Media

Grade level code: Capital letters (E–J–H–C) after each item indicate grade levels for which the materials are most appropriate: E–elementary school, J–junior high school, H–high school, C–college.

You Have a Right to Know, (H–C), 44 pages, 16 brief articles giving basic consumer information about banking services. Includes bibliography, 1974. Write: The Boston Five Cents Savings Bank, Ten School St., Boston 02108, free.

Today's Economic's – Case Studies for Student Understandings, (H), 64 pages. Deals with topics such as scarcity, prices and profits, the market system in brief form with questions for discussion. Xerox Education Publications, Education Center, Columbus, Ohio 43216, 50 cents.

The Ledger compiles information from various sources and is published during the school year as a public service by the Federal Reserve Bank of Boston. Inclusion of news about economic education should not necessarily be construed as an endorsement of specific programs by the Bank. Material contained herein does not necessarily reflect the views of the Federal Reserve Bank of Boston or the Board of Governors. Copies of this newsletter and a catalogue of other educational publications, films and published research information may be obtained free of charge by writing Public Information Center, Federal Reserve Bank of Boston, 30 Pearl Street, Boston 02106 or by calling (617) 426-7100 X657.

Inflation Continued from page 1

stantially affect how you decide to live.

However, inflation does *not* mean that every item you purchase is necessarily more expensive that it has been at any other time in the past. As the supply of chickens change in the market, for example, chickens may cost close to a dollar a pound or less than half a dollar a pound. Vegetables and fruits continue to reflect the seasonality of their production – when they are harvested and supply is high, the price is apt to be lower than it is at other times of the year.

Nor does inflation mean that every price rise you do experience is unjustified. Some products improve in quality and so cost more – but they may be worth the extra cost. A wash and wear shirt, for example, may be more expensive than shirts in the past but easier care and longer life may well be worth the added cost.

Inexpensive, new products may replace older, more expensive ones; acrylic sweaters (which some may consider "better" because they can be tossed into the washing machine and dryer instead of hand washed and laid out to dry like woolen sweaters) may bring down the cost of this type of clothing. Savings on the newer sweaters can then be applied to pay for other clothes which may have risen in price – the total paid for clothes thus may remain the same.

Changes in taste may also decrease personal spending. Where slacks and blazers were "mandatory" for college-bound students in the past, jeans may now suffice and relieve pressures on the clothes budget (even though the price of jeans may have risen!)

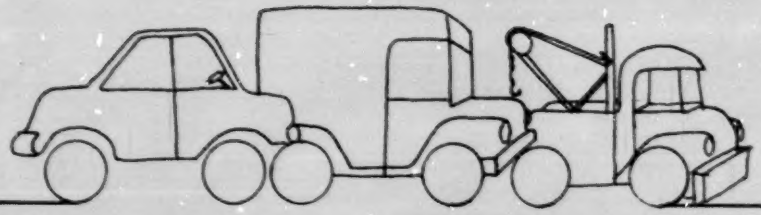
However, in examining the effects of inflation, it's important to keep in mind that a belief that inflation will continue may help to insure that, in fact, it will continue. Inflation tends to accelerate when many people believe that inflation causes each price rise and that no matter what an item costs today, it will be more expensive tomorrow. What happens if a businessman begins to function with this frame of mind?

A businessman may not, for example, fight demands for higher wages and higher prices for raw materials as much as he might have in the past, unless he thinks beyond a simple percentage figure of price inflation. He may be encouraged not to buy as carefully as he did in the past, figuring that whatever he buys will rise in its dollar value in the near future and make his inventory more valuable – at least on his account books. The businessman's belief in the inevitability of inflation may thus raise his costs, and increased costs may result in his raising the price consumers pay for his product.

And what if the same businessman takes out a larger loan than he needs sooner than he needs the money because he figures that he can repay in cheaper dollars? His actions will add to a demand for loans and may force interest rates to levels which signal that a high rate of inflation exists – when, in fact, it should signal that the businessman *thinks* there is high inflation.

The effects of inflation on business and individuals, should be considered in more particular terms than the CPI's overall percentage figure may suggest at first glance.

Inflation hurts everybody – but "who" and "how much" it hurts depends upon inflation's effect on the prices of the specific things each individual buys.



Consider Tootsietoy . . .

". . . If you don't think this has been an inflationary year, consider Tootsietoy, said to be the oldest continuing toy line in the country. The price of the smallest of the little metal cars – they range from two and a half to eight inches long – recently went up to fifteen cents, having held at a dime since 1906. . . . The price reportedly went up because the toys are die-cast of a zinc alloy ("They're die-hard because they're die-cast" is the company's slogan) and the price of zinc has gone up from sixteen cents a pound to seventy in the last two years. If anybody at your house wants to know how that happened, you could engage in a little painless pedagogy. Some of the nation's zinc factories turned out to be serious polluters of their neighborhoods and, faced with the prospect of new environmental-protection regulations, went out of business. Others, not liking the prices assigned to them under Phase I, II and III, cut down on production, according to the toy company, and by the time it started buying overseas the dollar had been devalued [making foreign products more expensive]. So there you have environmental, domestic, and international economics in a nutshell – or rather in a Tootsietoy."
–*The New Yorker* December 10, 1973